

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

Management's Discussion and Analysis  
and Financial Statements

December 31, 2010 and 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/3/11

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## Independent Auditors' Report

To the Pension Administrative Committee  
St. Tammany Parish Hospital  
Defined Contribution Plan

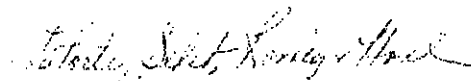
We have audited the accompanying statement of net assets available for benefits of St. Tammany Parish Hospital Defined Contribution Plan (the Plan) as of and for the years ended December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2011 on our consideration of St. Tammany Parish Hospital Defined Contribution Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



A Professional Accounting Corporation

June 23, 2011

## **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN**

### **Management's Discussion and Analysis For the Year Ended December 31, 2010**

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This discussion of the St. Tammany Parish Hospital Defined Contribution Plan's (the Plan) financial statements provides an overview and analysis of the Plan's financial position and activities for the year ended December 31, 2010. Please read it in conjunction with the Plan's financial statements and related notes.

#### **Financial Highlights**

The Plan's net assets available for benefits were \$44 million and \$36.8 million as of December 31, 2010 and 2009, respectively.

The net assets available for benefits increased by \$7.2 million (or 20%) over the reported December 31, 2009 balances, and increased by \$8.3 million (or 29%), from December 31, 2008 to December 31, 2009. The net increases are primarily due to employer provided contributions, investment income, and net of amounts distributed to participants.

The average overall rate of return on investments for the year was a positive 10% on a fair value basis for the year ended December 31, 2010, compared to last year's positive 16.1%. Factors affecting the rate of return include changes in world equity markets during the last two years, and changes in the distribution of participant directed investments amongst the various fund options offered by the Plan. Overall rates of return are also affected by the amounts and timing of employer contributions and participant distributions throughout the Plan year.

The Plan's investment options offered to participants consist of general account and pooled separate account funds maintained by ING Life and Annuity Company (ING).

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The annual report is comprised of three components: 1) the Plan's financial statements, 2) the notes to the financial statements, and 3) the required supplementary information (management's discussion and analysis). The information available in each of the first two components is summarized as follows:

#### **Financial Statements**

The statement of the assets available for benefits presents information on the Plan's assets, liabilities and the resulting net assets held in trust for benefit of Plan participants. This statement reflects the Plan's investments at estimated fair value, along with cash and other assets and liabilities as applicable. This statement indicates the net assets available to pay future benefits and gives a snapshot of the Plan's financial position at a particular point in time.

The statement of changes in the assets available for benefits presents information showing how the Plan's net assets held in the trust changed during the years ended December 31, 2010 and 2009. It reflects contributions by the Plan Sponsor (St. Tammany Parish Hospital), along with deductions for benefits paid to participants upon retirement or other separation of employment.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

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Investment income is also presented showing income from the Plan's participant directed investment choices.

**Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements.

**Financial Analysis**

Total assets of the Plan were \$44 million as of December 31, 2010, compared with \$36.8 million as of December 31, 2009, and \$28.8 million as of December 31, 2008. The Plan's invested assets consist principally of units of participation in *pooled separate accounts* and the Plan's *fixed general account investment*, which collectively comprise the Plan's investment contract with ING Insurance and Annuity Company. Pooled separate accounts are similar to a common or commingled trust maintained by a bank, except that a pooled separate account is maintained by an insurance company rather than a bank. The assets underlying a pooled separate account are the insurance company's property, with each of two or more unrelated participating plan's units of participation representing rights to the assets underlying the separate account. The Plan has not reported any liabilities during the last three years.

A summary of the Plan's net assets for each of the last three years is presented below:

	Net Assets		
	December 31,		
	2010	2009	2008
Assets			
Investments at Estimated Fair Value	\$ 43,935,884	\$ 36,555,104	\$ 28,848,479
Adjustment from Fair Value to Contract Value for Fully Benefit-Responsive Investment Contracts	89,568	271,851	(332,809)
Net Assets Available for Benefits	<u>\$ 44,025,452</u>	<u>\$ 36,826,955</u>	<u>\$ 28,848,479</u>

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

A summary of the changes in net assets during the years ending December 31, 2010, 2009, and 2008 follows:

	December 31,		
	2010	2009	2008
<b>Additions</b>			
Net Investment Income (Loss)	\$ 4,038,873	\$ 5,279,500	\$ (8,081,863)
Employer's Contributions	4,127,345	4,012,738	3,716,277
Rollover Contributions	152,497	-	11,365
Total Additions	8,318,715	9,292,238	(4,354,221)
<b>Deductions</b>			
Benefits Paid to Participants	(1,120,218)	(980,953)	(1,614,315)
Total Deductions	(1,120,218)	(980,953)	(1,614,315)
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 7,198,497</b>	<b>\$ 8,311,285</b>	<b>\$ (5,968,536)</b>

The Plan's increase in net assets during the Plan years ended December 31, 2010 and 2009, reflect net additions of \$7.2 million and \$8.3 million, respectively, which represent the Plan's net investment income for those years, contributions from the Plan Sponsor, net of distributions and other benefits paid to plan participants. For the year ended December 31, 2010 and 2009, the Plan's investments had earned income at rates comparable to those of the underlying securities and/or stated interest rates.

The Plan's decrease in net assets during the Plan year ended December 31, 2008 of \$5.9 million, reflects a decrease of \$8 million, which represents the Plan's net investment loss for the year.

The Plan's changes in net assets, as shown above, also reflect approximately \$4.1 and \$4.0 million of employer contributions in the Plan for the years ended December 31, 2010 and 2009, respectively. The employer contribution was generally calculated as 6% of eligible salaries as defined by the Plan. St. Tammany Parish Hospital experienced increases in both the number of employees and in overall salaries during the years 2008, 2009, and 2010. Net contributions increased from 2008 to 2010 commensurate with these increases. Benefits paid to participants primarily include payments and rollovers of the vested account balances of participants withdrawing from participation in the Plan upon termination of employment with the Hospital, and retirement benefits. Participants who received benefit payments slightly increased from 2008 to 2009. The average benefit paid to participants increased from approximately \$21,200 to approximately \$23,900, respectively. In 2010, the average benefit per participant receiving distributions was approximately \$30,300.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

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**Requests for Additional Information**

Questions concerning any of the information provided herein or requests for additional financial information should be addressed to St. Tammany Parish Hospital Defined Contribution Plan, Administration, 1202 S. Tyler Street, Covington, LA 70433.



**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN  
Statements of Net Assets Available for Benefits  
December 31, 2010 and 2009**

	2010	2009
<b>Assets</b>		
Investments at Estimated Fair Value		
Pooled Separate Accounts	\$ 31,461,289	\$ 25,362,243
Deposit Administration Contracts	12,474,309	11,192,861
Employer Contribution Receivable	286	-
<b>Total Assets</b>	<b>43,935,884</b>	<b>36,555,104</b>
 <b>Net Assets Available for Benefits at Fair Value</b>	 <b>43,935,884</b>	 <b>36,555,104</b>
Adjustment from Fair Value to Contract Value for Fully Benefit-Responsive Investment Contracts	89,568	271,851
 <b>Net Assets Available for Benefits</b>	 <b>\$ 44,025,452</b>	 <b>\$ 36,826,955</b>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH HOSPITAL**  
**DEFINED CONTRIBUTION PLAN**  
**Statements of Changes in Net Assets Available for Benefits**  
**For the Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Investment Income:</b>		
Net Appreciation in Fair Value of Investments	\$ 3,601,136	\$ 4,887,492
Interest on Guaranteed Accounts	437,737	392,008
Total Investment Income	<u>4,038,873</u>	<u>5,279,500</u>
<b>Contributions:</b>		
Employer's	4,127,345	4,012,738
Rollover	152,497	-
Total Contributions	<u>4,279,842</u>	<u>4,012,738</u>
<b>Deductions from Net Assets Attributed to:</b>		
Benefits Paid to Participants	(1,120,218)	(980,953)
Total Deductions	<u>(1,120,218)</u>	<u>(980,953)</u>
<b>Net Increase</b>	<b>7,198,497</b>	<b>8,311,285</b>
<b>Net Assets Available for Benefits</b>		
Beginning	36,826,955	28,515,670
Ending	<u><u>\$ 44,025,452</u></u>	<u><u>\$ 36,826,955</u></u>

The accompanying notes are an integral part of these financial statements.

## **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN**

### **Notes to Financial Statements**

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#### **Note 1. Description of the Plan**

The following description of the St. Tammany Parish Hospital Defined Contribution Plan (the Plan) provides only general information. Participants should refer to the Plan agreement and the Summary Plan Description of the Plan, which is made available to all participants, for a complete description of the Plan's provisions.

##### **General**

The Plan is a noncontributory, defined contribution pension plan covering all eligible full-time and part-time employees of St. Tammany Parish Hospital Service District No. 1 (the Hospital). The Plan and Trust of which it is a part are intended to satisfy all of the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (IRC) and similar state tax laws.

Hospital service districts in Louisiana are authorized under Louisiana Revised Statute 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system.

The Plan is classified as a governmental plan and is not subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan, accordingly, does not file Form 5500, which was developed by the Internal Revenue Service, Department of Labor, and the Pension Benefit Guaranty Corporation to satisfy the reporting requirements of the IRS and ERISA.

##### **Eligibility**

Employees of the Hospital who have completed the minimum requirement of one year of service are eligible to participate in the Plan. An employee is credited with one year of service for each twelve consecutive months in which the participant has completed 1,000 or more hours of service with the employer.

##### **Contributions**

The Plan requires employer contributions equal to 6% of the aggregate compensation of all participants. Contributions are remitted to the trustee and are invested in accordance with the provisions of the Plan. Participants direct the investment of contributions on their behalf into various investment options offered by the Plan. Participants may also rollover amounts representing distributions from other qualified defined benefit or contribution plans.

##### **Participants' Investment Options**

Investment options available to participants include a guaranteed interest account, and numerous variable equity and fixed income fund options provided through a pooled separate account arrangement.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

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**Note 1. Description of the Plan (Continued)**

**Vesting**

Employer contributions on behalf of participants are 100% vested after five years of credited service.

**Participant Accounts**

Income earned on investments and the net realized and unrealized appreciation in estimated fair value of investments are allocated to participants' accounts in the ratio of each participant's adjusted beginning balance to the adjusted beginning balance for all participants. The adjusted beginning balance is defined as the account balance at the beginning of the period less withdrawals, distributions, forfeitures and other payments made during the period.

Upon retirement, death, or disability, the participant is entitled to receive the value of his or her account within 60 days after the close of the Plan year in which the event occurred. The participant may elect to receive the vested portion of the account in a lump-sum distribution or in periodic payments. Terminated employees receive benefits no later than 60 days after the end of the first Plan year after the break in service occurs.

**Forfeitures**

Forfeitures of terminated employees' non-vested account balances are applied as a reduction of employer contributions. During 2010 and 2009, employer contributions were reduced by \$256,766 and \$210,173 respectively, from forfeited non-vested accounts.

At December 31, 2010 and 2009, the remaining balance of forfeited non-vested accounts totaled \$-0-. The balance of forfeited non-vested accounts may be used to reduce future employer contributions.

**Note 2. Significant Accounting Policies**

**Use of Estimates and Basis of Accounting**

The financial statements are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB). As of January 1, 2005, the Plan adopted GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related standards.

The financial statements of the St. Tammany Parish Hospital Defined Contribution Plan have been prepared on the accrual basis of accounting. Employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income is recognized when earned.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

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**Note 2. Significant Accounting Policies (Continued)**

**Use of Estimates and Basis of Accounting (Continued)**

As described in Financial Accounting Standards Board's Accounting Standards Codification (ASC) regarding, *Reporting of Fully Benefit-Responsive Investment contracts Held by Certain Investment Companies Subject to the to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pension Plans* (the ASC), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit- responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the ASC, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully-benefit responsive investment contract from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis. These requirements are effective for financial statements issued for periods ending after December 15, 2007.

**Investments**

The Plan's investments were held by the Plan's trustee, ING Life Insurance and Annuity Company (ING). Under the terms of the trust agreement, the trustee administered the investment transactions of the Plan on behalf of the participants and have (had) discretionary authority over the Plan's assets, which can include investing in the trustee's administered accounts. The investments and changes therein are reported at fair value as determined by the trustee.

All investments in 2010 and 2009 consisted of either deposit administration contracts or pooled separate accounts. The accounts are managed and administered by the custodians and related entities. The custodian is responsible for calculating the per unit fair value of the respective funds' net assets. Under the terms of the prospectuses, the Plan can divest itself of the investments by reselling them to the respective fund daily at a unit price equal to the per unit interest of the fair value of the funds' net assets. The investments in these funds are stated at the Plan's pro rata interest in the fair value of the funds' net assets.

**Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value.

Investments in insurance company pooled separate accounts are reported at the value reported to the Plan by the insurance company, which represents approximate fair value.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

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**Note 2. Significant Accounting Policies (Continued)**

**Investment Valuation and Income Recognition (Continued)**

The deposit administration contract is reported at estimated fair value by ING, calculated by estimating the approximate amount that would have been paid if the contract had been terminated as of the last day of the reporting period and potential surrender charges and market value adjustments were applied as of such date. Actual surrender charges and market value adjustments are determined at date of payment and benefits so identified in the contract are not subject to adjustment. The adjustment from fair value to contract value is presented in the Statement of Net Assets Available for Benefits, as of December 31, 2010 and 2009.

Purchases and sales of investments are recorded on a trade-date basis. Investment income is primarily comprised of realized and unrealized appreciation and depreciation of the fair value of the investments.

**Payment of Benefits**

Benefits are recorded when paid.

**Administrative Expenses**

St. Tammany Parish Hospital (the Plan Sponsor) bears most of the administrative costs of the Plan. The Trustee fees that are borne by the Plan are treated as an investment expense and are deducted from investment earnings allocated to the participants' accounts.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Note 3. Investments**

The table on the following page presents the fair value of the participant-directed investments in this Plan. Single participant directed investment options representing more than 5% of the Plan's net assets are separately identified.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

**Note 3. Investments (Continued)**

	December 31,	
	2010	2009
<u>ING Life Insurance and Annuity Company Contract</u>		
<u>No. PH9188</u>		
Participant-Directed Investment Options Within ING Life and Annuity Company Separate Account D		
American Century Large Company Value Fund - R	\$ 7,687,312 *	\$ 6,242,181 *
Pioneer Strategic Income Fund - R	6,174,787 *	5,099,504 *
Mutual Discovery Fund - R	3,456,968 *	3,058,581 *
ING Intermediate Bond Fund A	2,735,009 *	2,061,406 *
Other Separate Account D Fund options	11,407,499	8,900,571
ING Fixed Account - Guaranteed Interest Account	12,474,309 *	11,192,861 *
	<u>\$ 43,935,884</u>	<u>\$ 36,555,104</u>

\* - Represents an individual investment option totaling more than 5% of the Plan's net assets in the respective year.

A summary of net realized and unrealized (depreciation) appreciation in fair value of investments follows for the years ended December 31, 2010 and 2009:

	December 31,	
	2010	2009
<u>ING Life Insurance and Annuity Company Contract</u>		
<u>No. PH9188</u>		
Participant-Directed Investment Options Within ING Life and Annuity Company Separate Account D		
American Century Large Company Value Fund - R	\$ 724,288	\$ 1,005,881
Pioneer Strategic Income Fund - R	177,243	1,118,523
Mutual Discovery Fund - R	333,161	511,940
ING Intermediate Bond Fund A	221,786	211,954
Other Separate Account D Fund options	2,144,658	2,039,194
Net Appreciation (Depreciation)	<u>\$ 3,601,136</u>	<u>\$ 4,887,492</u>

**Authorized Investments**

Louisiana state statutes authorize the Plan to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposit with state and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Plan, when present, be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance. The Plan's carrying amount of cash deposits was \$-0- as of December 31, 2010 and 2009.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

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**Note 3. Investments (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan's pooled separate account investment has no maturity date. The Plan's deposit administration contract investment (ING Fixed Account investment) similarly, has no specific maturity dates. The ING Fixed Account guarantees principal and a minimum guaranteed interest rate for the life of the investment and features two declared interest rates: a current rate, determined at least monthly, and a guaranteed minimum floor rate declared for a defined period - currently one calendar year. The guaranteed minimum floor rate may change after the end of the defined period, but it will never be lower than the minimum guaranteed rate. The current rate, the guaranteed minimum floor rate and the minimum guaranteed interest rate are expressed as annual effective yields.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2010, the Plan's investments in ING Life Insurance and Annuity Company were rated A by Standard & Poor's, and A2 by Moody's Investors Service.

**Concentration of Credit Risk**

The Plan's investment policy seeks to maximize participant diversification opportunities to reduce overall portfolio risk while generating growth of asset value.

The Plan places no limit on the amount that may be invested with one issuer.

The amount of the Plan's funds allocated to the ING Fixed Account discussed above are held in ING's general account which supports insurance and annuity obligations. The safety of the interest rate guaranteed under the contract is dependent on ING's claims paying ability.

The Plan's funds allocated to the ING Life Insurance and Annuity Company Separate Account D will not be charged with liabilities arising out of any other business ING may conduct, but obligations of the account, including the promise to make benefit payments are obligations of ING. As of December 31, 2009, the Plan's investments consisted solely of the aforementioned ING general account and ING pooled separate account investments. As of December 31, 2010, the Plans total investment composition was as follows:

ING Life Insurance and Annuity Company,		
Pooled Separate Account D Funds	\$ 31,461,289	72%
General Account Funds	12,474,309	28%
<b>Total Invested Assets</b>	<b>\$ 43,935,598</b>	<b>100%</b>



**ST. TAMMANY PARISH HOSPITAL  
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**Notes to Financial Statements**

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**Note 3. Investments (Continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of financial institution failure, the Plan's deposits may not be returned to it. The Plan's invested funds represent direct contractual investments and are not considered securities exposed to custodial credit risk.

**Note 4. Investment Contract with Insurance Company**

As described in Note 2, the Plan's investment contract with ING is fully benefit-responsive. ING maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by ING, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate and average yield for the Plan's ING Fixed Account investment was 3.75% for both 2010 and 2009. The crediting interest rate is based on a formula agreed upon with the issuer, but may not be less than 2.25 percent. Such interest rates are reviewed on a periodic basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (2) changes to plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under Employee Retirement Income Security Act of 1974. The Plan administrator does not believe that occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

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**Note 5. Plan Termination**

Although the Plan Sponsor has not expressed any intent to do so, the Plan Sponsor has the right to modify, suspend, or discontinue contributions to the Plan at any time, and such action shall not be deemed to be a termination of the Plan.

In the event the Plan terminates, the balance in each participant's or retired participant's account shall immediately become fully vested and non-forfeitable. Each participant, retired participant, or beneficiary shall be entitled to receive any amounts then credited to his or her account.

**Note 6. Income Tax Status**

The Internal Revenue Service has ruled that the Plan qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is, therefore, not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Pension Administrative Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

**Note 7. Related Party Transactions**

Plan investments include units of funds managed by ING. ING is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Pension Administrative Committee  
St. Tammany Parish Hospital  
Defined Contribution Plan

We have audited the financial statements of St Tammany Parish Hospital Defined Contribution Plan (the Plan) as of and for the year ended December 31, 2010, and have issued our report thereon dated June 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the Plan as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

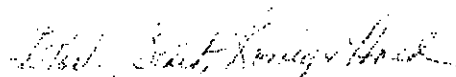
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the St Tammany Parish Hospital Defined Contribution Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Pension Administrative Committee, management, the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

June 23, 2011